

Nebraska Sales and Use Tax

General Information 2013

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This PowerPoint handout is used for training purposes in conjunction with the oral presentation given by Departmental training staff.

It is not intended to be a stand-alone document.

It is not an information guide, nor does it carry regulatory or statutory authority.

Nebraska tax statutes, regulations, information guides, and other resources are available at revenue.ne.gov.

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What is InternNE.com?

- Premier source of paid internships in Nebraska
- Any business may post paid, quality internships and any student may search for internship opportunities on InternNE.com.

What is the InternNE Grant Program?

 Program providing financial assistance to employers creating new internship opportunities

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ded.InternNE@nebraska.gov Or 402-471-3368

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- Receive notification of changes to our website using the free web-based email subscription system.
- Set up a profile enter your email address, optional password, and select the topics of interest.
- You can change your **profile** at any time by adding or deleting topics, changing the frequency of email alerts, or changing your email address.
- No special software all you need is a valid email address and an Internet browser!

Try it out!

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E-filing and Payment Mandates

The payment threshold is lowered annually.

July 1, 2013 \$ 9,000
July 1, 2014 \$ 8,000
July 1, 2015 \$ 7,000

Any businesses with multiple locations that have been granted permission to file "combined" sales tax returns must e-file.

For more detailed information on e-file and e-pay requirements, see our <u>website</u>.

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Today's Agenda

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?
- Other Tax Information

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Nebraska Sales Tax

For more information, see the Sales and Use Tax Regulations on our website.

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eneral STX 2013 - 9 Nebraska Sales Tax (continued)

Sales tax is...

- ... a transactional tax,
- ... based on the transaction,
- ... rather than the item sold.

Where the item or service is delivered determines the local sales tax rate and to whom the tax is due.

A sale is...

- ... the transfer of title or possession,
- ... of an item or taxable service,
- ... for consideration.

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Nebraska Sales Tax (continued)

A lease or rental of tangible personal property...

- ...can be a sale,
- ...if there is transfer of possession.

Sales tax is due on each lease or rental payment.

General STX 2013 - 11 Nebraska Sales Tax (continued)

All sellers...

- ...are the consumers of anything they use to sell their items and services; and
- ...must pay tax on them.

Example 1: Cash registers

Example 2: Security services

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Nebraska Sales Tax (continued)

Taxable Services

- Animal specialty services
- Building cleaning
- · Computer software training
- Detective services
- Installing/applying tangible personal property
- · Motor vehicle towing, washing/waxing, painting
- · Pest control services
- Recreational vehicle (RV) park services
- Security services
- Repair labor (with 5 exceptions see slide 58)

For a more complete list of taxable and nontaxable services, see the Nebraska and Local Sales Tax Information Guide on our website.

General STX 2013 - 13 Nebraska Sales Tax (continued)

All service providers...

- ...are the consumers of the taxable items and services used to provide the service; and
- ...must pay tax on those items or services (even if the charge for the service is also taxable).

Example 1: The carwash does not sell soap and wax, but a "car wash."

Example 2: A window cleaner is not selling window cleaning solution, but "clean windows."

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Nebraska Sales Tax (continued)

Nebraska Sales Tax (continued)

Collecting Sales Tax

- Collected by the seller as an agent for the State
- Held in trust for the State of Nebraska
- Must have a sales tax permit
- Collection fee

or lease f

...means the total amount of a sale or lease for a consideration.

Gross receipts...

Sales Tax is Calculated on Gross Receipts

Sales tax is calculated on the gross receipts of the sales transaction.

For more information, see Reg-1-007 - Gross Receipts Defined.

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Fall 2013

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Delivery Location and the Local Sales Tax

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Delivery Location and Tax Rate

The delivery location determines the Local Sales Tax.

- The delivery location is where the purchaser picks up the item or where he/she takes possession of it.
- The local sales tax rate depends on whether the delivery location is inside or outside city limits.
- When delivery is outside Nebraska, contact the other state.

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Delivery Location and Tax Rate (continued)

Local Sales Tax Increase

Neb. Rev. Stat. § 77-27,142

- A municipality, except Omaha, may impose a local sales tax of 1.75% or 2% if the rate increase is approved by at least 70% of the municipality's governing body and by a vote of the voters residing in the municipality.
- For further information, contact Karen Barrett at 402-471-5980.

Sales Tax Rate Finder

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Collecting, Documenting, and Reporting Sales Tax

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Collecting, Documenting, and Reporting Sales Tax

The Bottom Line for Sales Tax

- All sales transactions are presumed taxable.
- Sales tax must be separately stated (with 4 exceptions).

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Collecting, Documenting, and Reporting Sales Tax (continued)

The Bottom Line for Sales Tax

Sellers must collect sales tax or document why they did not.

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Collecting, Documenting, and Reporting Sales Tax (continued)

Documenting Exempt Sales

- Form 13
- Sellers keep completed copies of Form 13.
- A "blanket" form is valid until it is revoked in writing by the purchaser.

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Documenting Exempt Sales

Nebraska Resale Certificate **Form 13**, Section A

- Purchases for resale
- Items that become a component part of a product to be sold

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Collecting, Doc	umenting, and Reporting Sales Ta	x (continued)
<u>Form 13</u> ,	Section A	
REVENUE for Sales Ta Read instructions on re	xempt Sale Certificate x Exemption RESET FORM	FORM 13
NAME AND MAILING ADDRESS OF PURCHASER	NAME AND MAILING ADDRESS OF SELLE	R
Name	Name	
Street or Other Mailing Address	Street or Other Mailing Address	
City State Zip Code	City State	Zip Code
I hereby certify that the purchase, lease, or rental by the above pi Check One □ Purchase for Resale (Complete Section A) □ Exempt	t Purchase (Complete Section B) Contractor (Comp	
SECTION A — Nebra	ska Resale Certificate	
I hereby certify that the purchase, lease, or rental of from the above seller is exempt from the Nebraska sales tax as a purchase form or condition in which purchased, or as an ingredient or component p	part of other property to be resold.	ess, either in the
I further certify that we are engaged in business as a: Wh of Description of Product Sold, Leased, or Rented	olesaler Retailer Manufacturer Lessor	
and hold Nebraska Sales Tax Permit Number 01-	If None, State Reason	
or Foreign State Sales Tax Number	State	
For more detailed information,	refer to the Form 13 instructions.	General STX 2013 - 25

Collecting, Documenting, and Reporting Sales Tax (continued)

Nebraska Exempt Sale Certificate Form 13, Section B

- Specific governmental units
 - o Governmental Entities Information guide
 - o Reg-1-012C Entity-based exemptions
- Certain exempt organizations
 - o Nonprofits Information guide
 - Nonprofits PowerPoint slides
 - o Reg-1-090 Nonprofit organizations
 - o Reg-1-091 Religious organizations
 - o Reg-1-092 Educational institutions

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more...

Collecting, Documenting, and Reporting Sales Tax (continued)

Form 13, Section B

- Qualified manufacturing machinery and equipment (MME)
 - o MME Information guide
 - o MME PowerPoint slides
 - o Reg-1-107 MME Exemption
- Vehicles and parts for vehicles used by a common or contract carrier
 - o Common or Contract Carrier Information guide
 - o Reg-1-069 Common & Contract Carriers

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Collecting, Documenting, and Reporting Sales Tax (continued)

Form 13, Section B

- Qualified commercial agricultural machinery and equipment (ag exemption)
 - o Ag Information guide
 - o Agri-business PowerPoint slides
 - o Reg-1-094 Ag machinery & equipment refund
- Occasional sales (This exemption is very limited in scope!)
 - o Reg-1-022 Occasional sales

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Collecting, Documenting, and Reporting Sales Tax (continued) Form 13, Section B NUE NEGRO | Number | FORM Nebraska Department of REVENUE 13 Street or Other Mailing Address Street or Other Mailing Address Blanket If blanket is checked, this certificate is valid until revoked in writing by the purchaser. Single Purchase I hereby certify that the purchase, lease, or rental by the above purchaser is exempt from the Nebraska sales tax for the following reason: Check One Purchase for Resale (Complete Section A) Exempt Purchase (Complete Section B) Contractor (Complete Section C) SECTION B — Nebraska Exempt Sale Certificate The basis for this exemption is exemption category (Insert appropriate category as described on reverse of this form.) If exemption category 2 or 5 is claimed, enter the following information: Description of Item(s) Purchased If exemption categories 3 or 4 are claimed, enter the Nebraska Exemption Certificate number. 05-If exemption category 6 is claimed, seller must enter the following information and sign this form below: Was Tax Paid when Purchased by Seller? YES NO Description of Item(s) Sold Date of Seller's Original Purchase ☐YES ☐ NO General STX 2013 - 29 For more information, see Form 13 instructions.

	Collecting, Doc	umenting, and Repo	rting Sales	Tax (continued)				
	<u>Form</u>	13CCE						
Network Constraint of REVENUE For Netrona Co Number (# application)		rmit Application ds by Sales Tax Exempt Entitles	FORM 13CCE					
NAME AND LO	DCATION ADDRESS	NAME AND MAILING ADD	RESS					
Name Name	DOMINION ADDITIONS	Name	11000					
Legal Name								
Street Address		Street or Other Malling Address						
City State	Zip Code	City State	Zip Code					
	CREDIT OR DEBIT	CARD INFORMATION						
1 Name and address of bank issuing the		energy and promote representations						
2 Last four digits of the card, (if the exert each credit or deoft card.)	npt governmental entity or exempt organization (has more than one credit or debit card account, a separate a	pplication is required for					
	DOCUMENTA	TION REQUIRED						
3 Attach at of the following:								
 Copy of the billing statement; 								
Copy of the credit or debit card Copy of a payment made to the								
- Copy of a page of a mase to an		LING INFORMATION						
4 Will any person other than the sales to debt cards conditied on this applicatio	ex exempt governmental entity or sales tax exem	pt organization be billed by the Issuer of the card for any pu	rchases made using the credit or					
TYES NO EYELS								
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sign .								
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Yne	Email Address							
	FOR NEBRASKA DEPARTM	ENT OF REVENUE USE ONLY						
☐ APPROVED	COMMENTS:	·		General STX 2013 - 31				
☐ DISAPPROVED				2013 - 31				
Exemption Code:	Authorized Signature		Date					

-	Form 1	<u>13</u> , S	Section and Rection and Rection	n C –	s Tax (continu
Nebraska Department of REVENUE	• Rea	for Sales Ta d instructions on re	verse side/see note below 🗀	RESET FORM	FORM 13
Name NAME AND I	MAILING ADDRESS OF PURC	HASER	NAME AND M	AILING ADDRESS OF SE	LLER
Street or Other Mailing Address	15		Street or Other Mailing Address		
City	State	Zip Code	City	State	Zip Code
I hereby certify t		tal by the above p	d, this certificate is valid until r urchaser is exempt from the ? Purchase (Complete Section E	ebraska sales tax for the	following reason:
	SEC	CTION C—Fo	r Contractors Only		
	ng Materials or Fixtures:				
Nebraska sales tax. M	ion 3 contractor, I hereby certi y Nebraska Sales or Consumer	ry that purchases of 's Use Tax Permit ?	f building materials and fixture Number is: 01-	s from the above seller are	e exempt from
2. Purchases Made Un	der Purchasing Agent App	pointment on bel	nalf of		
	ed Purchasing Agent Appointm and fixtures are exempt from N		of Authority for Sales and Use	(exempt entity) Tax, Form 17, I hereby o	ertify that purchases
There is a	seminar just fo	or contrac	tors! Check th	ne schedule	to
attend a cla	ass, request th	at we se	t a date to wo	k with you o	directly,
or check or	it the presenta	ation usin	g the link abo	ve!	

	(Collecting, Doc	umenting, ar	d Reporting	Sales Tax (conti
<u>1</u>	<u> 3CCE</u> ,	Exem	nptio	n Per	mit
Nebreske Department of REVENUE	Exempti	on Permit Fo	or Use of C	redit or De	bit Cards
	NAME AND LOCATION A	DDRESS		NAME AND MAILING AD	DRESS
Name			Namo		
Street Address			Street or Other Mailing Ad	ddross	
City	State	Zip Code	City	State	Zip Code
Issuing Bank Effective Date of Exer	nption Permit		f Credit or Debit Card tion Date of the Exemption P	Last Four	Digits of the Credit or Debit Card
	of Devenue with dee	umentation that the c		the Nebraska Depa	
	billed to, and paid borganization. To make	y, the sales tax exent te sales and lodging to ternmental entity or e	npt governmental e ix exempt purchase	entity or sales tax of es using this credit of	exempt
	 Complete a N 	lebraska Resale or Ex	empt Sale Certifica	ite, Form 13, section	on B;
	 Attach a cop 	y of this Exemption	Permit to the Forn	n 13; and	

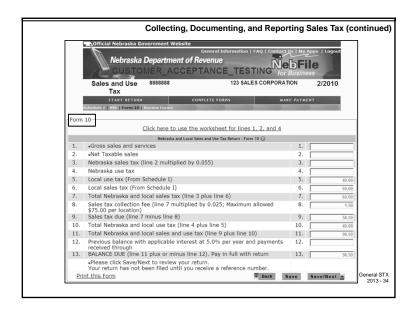
Collecting, Documenting, and Reporting Sales Tax (continued)

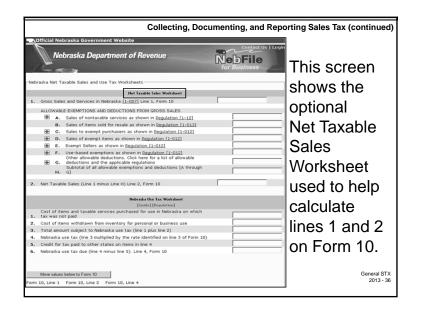
Reporting Sales Tax

- E-file a Form 10.
- For e-file instructions, please go to the Department's <u>website</u>.
- A return must be filed even if there are no sales to report.

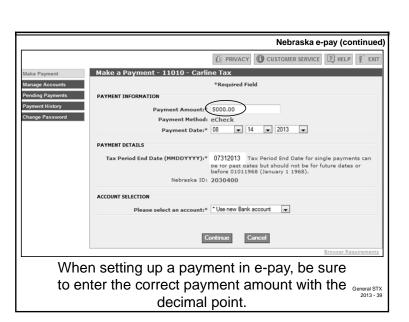
General STX

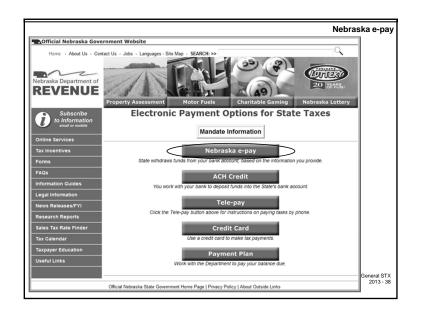
S	s and Use T		TE FORMS	SALES CORPORATION	02/2010 MENT
Schedule I	NVL Form 10 R	eview Forms			
Schedule I - Lo	cal Sales and	Use Tax			
Select File to Upload Local Jurisdiction	d description	n of the required format		Sales Tax	
Local Code 2		1 Amount Subject to Local Use Tax	2 Local Use Tax	3 Amount Subject to Local Sales Tax	4 Local Sales Tax
			Enter Tax		
Elgin (164)	.010		.00		.00
	Totals	.00	.00	.00	.00
				744-1-V	
Select a Jurisdiction Not Li	sted Above			(10 aod a jun	sdiction click (3) below)

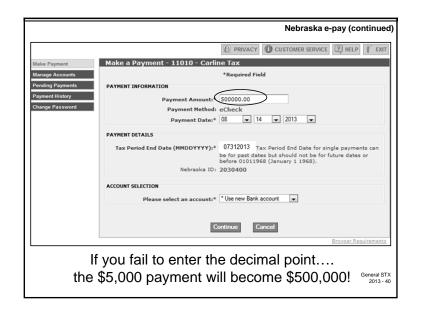












What is Use Tax?

For more information, see Reg-1-002 - Use Tax.

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What is Use Tax?

- Use tax is due when Nebraska sales tax has not been paid on a taxable item or service purchased for use in Nebraska.
- Sales and use tax are not both due on the same transaction.
- The big difference is who remits the tax -
 - Sales tax is collected and remitted by the seller.
 - Use tax is paid directly to the Department by the purchaser/consumer.

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Use Tax (continued)

Use Tax and Sales Tax Have These Things in Common –

- They are imposed on the same transactions.
- They have the same exemptions.
- They are calculated at the same rate.
 - o Where delivery occurs or
 - \circ Where first usage in Nebraska takes place.

General STX 2013 - 43 Use Tax (continued)

When Use Tax is Due

- Use tax is often due when purchases are made from an out-of-state seller
 - o Internet, catalog, mail order
 - o Magazines and journals by subscription
- Use tax is due when the business withdraws tax-free inventory for business or personal use (including donations)
 - o Auto mechanic
 - o Hair salon

Note: Be sure to maintain good records!

General STX

an Haa Tass

Reporting Use Tax

- Businesses report use tax on:
 - o Form 10; or
 - o <u>Form 2</u>.
- Individuals report use tax on:
 - o Form 3;
 - o Form 1040N; or
 - o Form 2 (only if claiming credit for tax paid to another state).

Note: Do not use Form 1040XN to make changes to individual use tax filings.

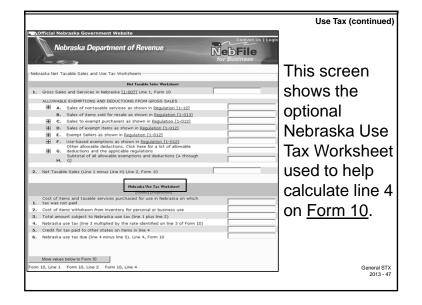
General STX

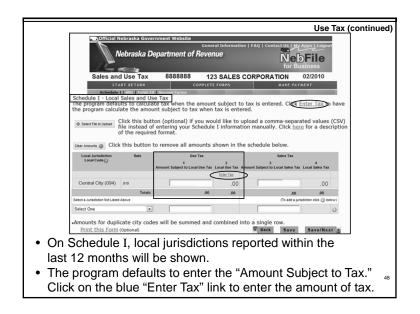
Use Tax (continued)

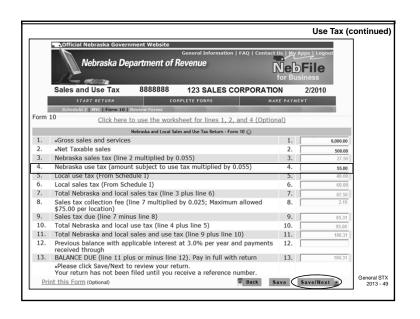
Businesses that hold a Nebraska Sales and Use Tax Permit, must use Form 10.

> General STX 2013 - 46

Use Tax (continued)







REVENU		Nebrask	a and	Local Use	Tax Return	FORM 3	Use Tax (continued
Social Security Num				PLEASE DO NOT WRITE	INTHIS SPACE	3	-
Name	NAME AND MAILING ADDR	ESS	-				
Street or Other Malir	g Address						Individuala
City	State	Zp	Code				Individuals
1 Cost of taxa	ble items or services purchase	d for use in Neb	raska who	on Nebraska sales tr			·
been paid					1 \$	00	use Form 3 .
2 Nebraska us	e tax due (line 1 multiplied by	.055)			2		-
Complete	the following Local Use Tax Tab	le (see instruction Local Use Tax1					
	CITY OR COUNTY	LOCAL U	OCAL	COLUMN A	COLUMN B		
CLICK HERE !	OR CURRENT CODES AND RATES	CODE TA	X RATE	Amount Subject to Local Use Tax	(Rate x Column A)		
				100			
\vdash			-	100			
				00			
2 Total local ii	se tax due (add amounts in C	olumo R)			3		
	nd local use tax due (line 2 plu		4-11	(a. a.a.ba.	4 \$		-
	ria local use tax due (line 2 plu dare under penalties of law that I have						-
sign							
here 1	payer Signature		Date	Signature of	Preparer Other Than Taxpayor	Date	
Dep	time Telephone Number			Daytime Tele	aphone Number		
TEA	fall Address			E-Mail Addre	095		-
		WEDDIAWI DE			A BAV 44444 I III.4AI I		
N	all this return and payment to:						General ST
							2013 - 5
	www.revenue.ne.go	v, (800) 742	-/4/4 (1	Nebraska and	iowa), (402) 47 i-s	1/29	2013 - 3

The Period NAME AND LOCATION ADDRESS	PLEASE DO NOT WRITE IN THIS SPACE NAME AND MAILING ADDRESS	FORM 2	Use Tax (continued)
Legal Name Street Address (In Not Use PO Box)	Street or Other Mailing Address City State	Zg Code	
Coord of baselite from or services purchased for use in herboraks with posts (prickable from or barriers) purchased for use in herboraks with posts (prickable from different from the members for use in). 2 Netherska use tax due (fine in multiplied by 055). - Complete the following Local Blant Table; per inhusbinosis. COMPUTE TABLE TOOL COMPUTE LOCAL BLANT TABLE LOCAL SERVICES TOOL COMPUTE LOCAL BLANT TABLE LOCAL	COLUMN 4. COLUMN 5. COLUMN 8. COLUMN 8. COLUMN 8. Cod Uber 1x.	00	Businesses use Form 2 if they do not
Total local use tax due (add amounts in Column B) 4 Total Nebraska and local use taxes due (line 2 plus line 3) 5 Cred for trax properly past to other states and taxing Jurisdictions on (see Instructions) 6 Net Nebraska and local use taxes due (line 4 minus line 5) 7 Previous basilions with applicable interest of 5 per year and payments received through	3 4 4 5 6 6 7		hold a sales tax permit.
Check this box if your payment is being made by Electronic P BLANCE DOE Size and payment is being made by Electronic P Sign here P harmonic regulars To Charles and payment is all have connect the state. To Charles and payment is all have connect the state. The SIZE AND AND THE SIZE AND THE SIZE AND THE SIZE AND THE MEDICAL DEPARTMENT Mail this state of payment to NEBASKA DEPARTMENT WWW.LEVERUM.D. AND, COR. (1997, COR.) TAIL THE SIZE AND THE SIZE A	n. 8 5 10 The best of my knowledge and belief, it is content and compan * Signature of Proposer Other Than Tapaper Number Disprime Wilderham Number EXMA Abbress BONTH FOLLOWING THE TAX PERIOD INDICATED AB- NT OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 17 OF (KENNEL, P. DO SIN SELL, LINCOLU, N. 6-850r 18 OF SIN SELL SELL SELL SELL SELL SELL SELL SEL	OVE.	General STX 2013 - 50

	Use Tax (continued)								
Nebraska Individual Income Tax Return									40N
	REVENUE for the taxable year January 1, 2012 through December 31, 2012 or other taxable year:							2012	2
11	Your First Name and Initial Last Name PLEASE DO NOT WRITE IN THIS SPACE								
ri i	E If a Joint Return. Spouse's First Name and Initial Last Name								
8									
se Typ	Current Mailing Address (N	umber and Street or PO E	Box)						
Piea	City		State	Zip Code					
IL									
1									
37	7 TOTAL TAY AND DE	NAITV Add lines 2	7 and 96			. 37			00
38	37 TOTAL TAX AND PENALTY. Add lines 27 and 36								- 00
Ш	Enter purchases subj		;						
Ш			x 5.5%); Local code 94						
Ш			s x local rate of%, from nd local taxes and enter on line			38			00
20			an total of lines 37 and 38, su			38	\vdash		00
3.			ronic or credit card payme			ıs 39			00
40			otal of lines 37 and 38, subtr						00
41	Amount of line 40 you	want APPLIED TO	YOUR 2013 ESTIMATED T	AX	41 0)			
42	2 Wildlife Conservation	Fund DONATION (of \$1 or more	(£	42 0)			
	Individuals can use the Form 1040N to report and pay use tax! General ST 2013 - 8								

Summary of Sales Tax

- Nebraska Sales Tax
- Sales Tax is Calculated on Gross Receipts
- Delivery Location and the Local Sales Tax
- Collecting, Documenting, and Reporting Sales Tax
- Nebraska e-pay
- What is Use Tax?

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Other Tax Information

- Labor Charges Associated with Personal Property (Reg-1-082)
- Gross Receipts (Reg-1-007)
- Prepaid Wireless Surcharge (<u>Department Web Page</u>)
- Containers (Reg-1-043)
- Software and Digital Goods and Services (Reg-1-088)
- Manufacturing Machinery and Equipment (MME) (Reg-1-107)
- Agricultural Machinery and Equipment (<u>Reg-1-094</u>)
- Certificate of Clearance (Neb. Rev. Stat. § 77-2707)
- Why Would We Audit You? (Department Web Page)
- Records (Reg-1-008)
- Graffiti Cleanup of Real Property (Reg-1-098)

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Other Tax Information

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Other Tax Information - Labor Charges

Labor Charges Associated with Personal Property

- Taxable
 - o Production and assembly labor
 - Installation and repair labor when the item is taxable
- Exempt
 - o Installation labor when the item is exempt
 - o Repair labor (see the next slide)

For more information, see Reg-1-082 - Labor Charges.

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Other Tax Information - Labor Charges (continued)

Exempt Repair Labor Charges

- Licensable motor vehicle
- Agricultural machinery and equipment used in commercial agriculture
- Qualifying prosthetic devices and durable medical equipment (Form 13 required)
- Mobility-enhancing equipment (Form 13ME required)
- Qualified MME (Form 13 required)

Back to Taxable Services - Slide 13 General STX

Four exceptions to separately

Gross Receipts

stating sales tax:

- Admissions
- Alcohol by-the-drink
- Concessions
- Vending machines

For more information, see Reg-1-007 - Gross Receipts Defined.

Other Tax Information – Gross Receipts (continued)

Example:

You charge your customer \$10 for a pitcher of beer in a city with a 1.5% local sales tax.

> The customer's bill would show: Pitcher of beer \$10

To determine gross receipts and the amount of sales tax:

- Divide \$10 by 1.07 (1 plus the total state and local sales tax rate). The gross receipts is \$9.35.
- Subtract \$9.35 from \$10 to get \$0.65, which is the tax.

Gross receipts (sales price) =\$9.35 State and local sales tax = \$0.65

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Other Tax Information - Gross Receipts (continued)

Other Tax Information - Gross Receipts

Delivery Charges

Delivery charges are taxable when:

- the buyer pays the seller for the delivery charge and
- the transaction is taxable.

Delivery charges are taxable regardless of the method of delivery.

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Other Tax Information - Gross Receipts (continued)

Delivery Charges

If you owe use tax on a purchase, you also owe use tax on any delivery charge paid to the seller as part of that purchase.

General STX 2013 - 61 Other Tax Information - Gross Receipts (continued)

Tips and Gratuities

- Discretionary (nontaxable)
- Mandatory (taxable)

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Other Tax Information - Prepaid Wireless Surcharge

Prepaid Wireless Surcharge

Example:

Sale of a prepaid mobile phone with 500 minutes of prepaid wireless service

For more information, see **Department Web Page**.

General STX 2013 - 63 Other Tax Information – Containers

Containers

There are two types:

- Returnable
 - Taxable to the person who will place contents into them.
- Nonreturnable
 - Nontaxable when the person will fill the container and sell the contents with the container.

For more information, see <u>Reg-1-043</u> – Containers.

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Other Tax Information - Software and Digital Goods & Services

Software and Digital Goods & Services

Taxable Examples

Software/software installation

- · Tangible medium
- Internet transferred software
- Software training/re-training by the seller
- Maintenance agreements with updates

Digital goods

- Electronic books and book clubs
- · Downloading songs & ringtones
- Movies, music videos, & TV shows

Services

 Virus protection software, monitoring services, security services, and testing

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Other Tax Information - MME

Manufacturing Machinery and Equipment (MME) is Exempt:

- If more of the manufacturer's total annual revenue is from sales of tangible personal property it manufactures than from any other business activity, and
- The machinery and equipment is used more than 50% of the time in manufacturing.

For more information, see <u>Reg-1-107</u> – MME Exemption.

General STX 2013 - 67 Other Tax Information – Software & Digital Goods & Services (continued)

Software and Digital Goods & Services

Nontaxable Examples

Software/software installation

- · Cloud computing
- Accessing web-based applications (no code necessary)
- · Access codes for online subscription services

Digital goods

- Web design without license transfer
- · Electronically-transferred photographs

Services

· Help desk without updates

For more information, see Reg-1-088 – Software and the Computer Software information guide.

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Other Tax Information – MME (continued)

MME Includes Machinery or Equipment Used for

- Producing, fabricating, assembling, processing, molding, shaping, finishing, refining, or packaging tangible personal property
- Transporting, conveying, handling, or storing the manufactured goods or raw materials
- Maintaining the integrity of the products or unique environmental conditions for the products or MME itself

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more...

Other Tax Information - MME (continued)

MME Includes...

- Testing or measuring the product, the manufacturing process, or the quality of the finished products
- Computers, software, and peripheral equipment used to guide, control, operate, or measure the manufacturing process
 Example:

Software used to direct robotic assembly line equipment to move the product down the line.

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more...

Other Tax Information - MME (continued)

MME Includes...

- Self-constructed equipment
- Replacement parts
- Repair labor charges

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Other Tax Information- MME (continued)

MME Does Not Include...

- Licensable motor vehicles
- Tools powered by hand
- Security equipment
- Safety apparel
- Office equipment
- Repair shop equipment
- Most cleaning equipment
- Equipment used for research and development

2013 -

Other Tax Information – Ag Machinery and Equipment

Agricultural Machinery and Equipment

Purchases are exempt if three criteria are met:

- The item is used directly in commercial agriculture;
- The item meets the definition of ag equipment; and
- The purchaser properly completes a Form 13, Section B.

For more information, see <u>Reg-1-094</u> – Ag Machine and Equipment.

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Other Tax Information - Ag Machinery and Equipment (continued)

Commercial Ag includes:

- Producing food products or other useful and valuable crops; or
- · Raising or caring for animals.

Note: The crops or animals can either be sold or used by the farmer/rancher to produce other products for sale.

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Other Tax Information - Ag Machinery and Equipment (continued)

Commercial Ag Also Includes:

- Feedlots
- Greenhouses
- Nurseries
- Sod farms
- Tree farms

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Other Tax Information - Ag Machinery and Equipment (continued)

Ag Equipment Does Not Include:

- Real estate
- Licensable motor vehicles
- Equipment used in processing at a commercial facility
- Well drilling equipment
- Office equipment
- Replacement parts

General STX 2013 - 75 Other Tax Information - Ag Machinery and Equipment (continued)

Ag Repair and Replacement Parts

- The purchaser may apply for a refund of the tax if:
 - o the repair parts are depreciable; and
 - the property repaired is qualified ag equipment.
- To obtain a refund, file a Form 7AG-1 within 3 years of the date of purchase.

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Other Tax Information - Certificate of Clearance

Other Tax Information - Why Would We Contact You?

Purchasing a Business = Buying a Liability?

The buyer can be held liable for taxes due by the previous owner up to the amount of the purchase price, even if a lien has not been recorded.

Protect yourself!

- Certificate of Clearance:
- o Buyer or seller requests and receives the certificate in writing.
- o If buyer makes request, seller must sign the form.
- o Request the certificate by filing a Form 36, Tax Clearance Application.
- o Form 36 should be filed at least 15 days prior to closing.
- The Department will:
- Advice whether or not buyer should withhold funds from the purchase amount, including any assumed debt, to cover outstanding tax liability.

For more information see Successor in Interest, § 77-2707 Sales and Use Tax, and Transferee, § 77-27,110 Income Tax Withholding.

Back to agenda

Other Tax Information - Records

Why Would We Audit You?

- Audit of another taxpayer
- Department staff experiences
- Referrals from outside sources
- o Media
- o Tip line
- Other government agencies
- Data mining
- o Comparisons with other companies
- o Trends, patterns, and relationships
- o Industry standards
- Follow-up audits

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Records

Just a Few More

Things...

- Every seller is required to keep records.
 - o Documents
 - o List of items or services consumed in the business
 - Normal books of account
 - o Receipts showing taxes paid
 - o Resale and exempt sale certificates
 - o Schedules
 - o Working papers used in preparing tax returns

We recommend you retain records for 5 years after a return is filed.

For more information, see <u>Reg-1-008</u> – Records.

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Other Tax Information - Records (continued)

Failure to Keep Records Could Lead to:

- Tax assessments
- License suspension
- License revocation

For more information, see Neb. Rev. Stat. § 77-2705(6)(a)(ii)

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Let us know what you think. Please turn in your evaluation!

Thank you!

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Other Tax Information - Graffiti Cleanup

Graffiti Cleanup of Real Property

Taxable? It depends.

If the graffiti is on a building, the cleanup is taxable

- · Residential building
- · Commercial building

If the graffiti is on a structure annexed to real property (not a building), the cleanup is not taxable

- Fence
- Water tower

Note: Building means any free-standing structure enclosed within a roof and exterior walls (Reg-1-017.02).

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